# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:2044
ANSWERED ON:30.11.2007
LOAN AT REDUCED RATE TO FARMERS
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**Will the Minister of FINANCE be pleased to state:**

(a) whether the Government has reduced the rate of interest on the loan for the farmers;

(b) if so, the details thereof;

(c) whether several banks are not giving loans to the farmers on low interest rates;

(d) whether the small farmers have been forced to take loan from private money lenders due to the lengthy procedures;

(e) if so, the details thereof; and

(f) the corrective measures taken by the Government in this regard?

## Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : To reduce the burden of interest on Crop Loans availed by farmers for Kharif and Rabi 2005-06, an amount equal to two percentage points of the borrower's liability on the principal amount upto Rs.1,00,000/- each was credited to their account. Thereafter, from Kharif 2006, to ensure that the farmer receives Short-Term Production Credit at 7% with an upper limit of Rs.3 lacs on the principal amount, the Government is providing interest subvention of 2% per annum to Public Sector Banks(PSBs), Regional Rural Banks(RRBs) and Cooperative Banks (CBs) on their lending from their own resources and refinance at concessional rates to Cooperative banks and RRBs on their borrowings from NABARD.

(c) : All the PSBs and RRBs except the RRB in Arunachal Pradesh, are providing crop loans to the farmers at the rate of 7% per annum. Majority of Cooperative Banks have implemented the Government of India scheme of lending crop loan upto Rs.3 lakh at 7% per annum. However, Cooperative Banks in some States charge rate of interest between 7% to 13% depending upon the cost of funds, operational cost, risk cost etc.

(d) to (f) : Commercial Banks, RRBs and CBs issue Kisan Credit Card (KCC) to farmers for accessing adequate and timely credit in a hassle free and cost effective manner. The credit limit of a farmer is fixed on the basis of his operational land holding, cropping pattern followed by the farmer, agriculture practices adopted in the area, scale of finance approved by District Level Technical Committee and the repaying capacity of the farmer. A total of 6,79,13,576 KCCs have been issued in the country by various banks till 31.08.2007. Further, in order to overcome the problems faced by banks in lending to landless labourers, share-croppers and oral lessees due to the absence of documents verifying their identity and status, banks have been advised to accept certificates provided by local administration/ Panchayati Raj institutions regarding the cultivation of crops in case of loans to landless labourers, share-croppers and oral lessees.

Besides, the Government has taken the following steps to ensure credit disbursement for agriculture purposes :-

# Commercial Banks and Regional Rural Banks have been advised to finance 50 lakhs new farmers during each of the last three years.

# The Banks have been advised to simplify the procedure for documentation for agricultural loans.

# Loans upto Rs.50,000/- have been made collateral and margin free. Besides, no 'No Dues Certificate' is required for such amount of loan.